

# BANKENO MINES LIMITED

*Annual Report*

FOR THE PERIOD ENDED  
DECEMBER 31, 1970

# BANKENO MINES LIMITED

## OFFICERS AND DIRECTORS

J. W. McBEAN, <i>President and Director</i> - . . . . .	Swastika, Ontario
THOS. J. DAY, Q.C., <i>Director</i> - . . . . .	Toronto, Ontario
E. T. DONALDSON, <i>Director</i> - . . . . .	Toronto, Ontario
J. C. McBEAN, <i>Vice-President and Director</i> - . . . . .	Swastika, Ontario
F. G. CARROTTE, <i>Secretary-Treasurer and Director</i> - .	Kirkland Lake, Ontario

## TRANSFER AGENT

CROWN TRUST COMPANY  
302 Bay Street, Toronto, Ont.

## AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Toronto, Ont.

HEAD OFFICE - . . . . . 250 University Avenue, Toronto, Ont.

# BANKENO MINES LIMITED

## *Report of the Directors*

To the Shareholders:

Enclosed herewith is Notice of our Annual Meeting, together with financial statements and auditors' report.

The potential of your Company continues to be its oil and gas interests and mineral claims containing lead and zinc mineralization located in the Canadian Arctic Islands.

Your Company holds a 2.258% interest in Panarctic Oils Ltd., which is operating in the Arctic Islands with an exploration budget of \$76,000,000. In addition to being a shareholder Bankeno has interests in 5,719,231 land acres most of which is farmed out directly and indirectly to Panarctic Oils Ltd. The representative nature of Bankeno acreage interest throughout the Arctic Islands is considered to be of significant importance. The Bankeno interest farmout is the largest single block in a total land spread of 54,668,019 acres held by Panarctic.

In 1970 Panarctic Oils Ltd. conducted seismic and geological work, and continued to operate three oil rigs. Panarctic Oils Ltd. by the end of 1970 had drilled seven exploratory wells, of which two are claimed to be major gas discoveries and two encountered gas or oil shows.

The King Christian Island discovery of natural gas has indicated a potentially large reserve which with the earlier Drake Point find has attracted considerable interest from North American purchasers of natural gas. On this subject, Mr. C. R. Hetherington, President of Panarctic Oils Ltd., states in his 1970 Annual Report — "It is fair to say that interest expressed by purchasers of natural gas, both in Canada and the United States, suggests that Arctic Islands gas may be marketable much sooner than has been generally expected. Already companies interested in the purchase of natural gas are considering proposals and programs directed to marketing Arctic Islands gas once adequate reserves are proved."

Panarctic Oils Ltd. has stated that with four drills

operating in 1971, a capability of drilling two or three wells per drill per year is attained. In addition to Panarctic operations, four other drills will be operated in the Arctic Islands on programs for B.P. Oil and Gas Limited, Sun Oil Company Limited and Elf Oil Exploraton and Production Limited.

It is hoped that the enclosed map of Bankeno and Panarctic holdings will enable shareholders to follow drilling activities important to their interest.

Panarctic is drilling a well on the Fosheim Peninsula, Ellesmere Island. The Fosheim is considered one of the major potential oil and gas structures of the Sverdrup Basin. By the terms of a 1963 agreement with Round Valley Oil Co. Ltd. (now Great Plains Oil and Gas Ltd.), Bankeno claims participating rights in the drilling of the Fosheim and two neighbouring structures called Depot Point and Black Top. Definition of Bankeno's interest will depend on the outcome of litigation or settlement proceedings now in progress.

Bankeno has a 25% carried interest in 169 mining claims and 533,316 acres of prospecting permits on Little Cornwallis and Cornwallis Islands in the Canadian Arctic. Cominco Ltd. will commence a new drilling program in June 1971 to further investigate known deposits of lead-zinc mineralization on these properties.

Mr. T. J. Day resigned as president of Bankeno following the last annual meeting. He will remain as director, in which capacity his wise counsel, which has proven invaluable in the operation of your Company, will continue to be available.

I wish also to express my appreciation to K. H. Larkin and E. S. Chard who retired as Secretary and Treasurer respectively of the Company and who have served the Company well and faithfully over the years.

J. W. McBEAN,  
President.

May 25, 1971.

# BANKENO MINES LIMITED

(Incorporated under the laws of Ontario)

## Balance Sheet - December 31, 1970

(with comparative figures as at December 31, 1969)

### ASSETS

#### CURRENT ASSETS

	1970	1969
	\$ 530	\$ 90,862
Cash and short term deposits .....	1	541
Marketable securities, at cost less amounts written off (market value, 1970 — Nil; 1969 — \$541) .....	531	91,403
Investment in Panarctic Oils Limited, at cost (note 1) .....	1,164,703	711,824
Oil and gas permits, at cost (notes 2 and 3) .....	30,825	30,825
Mining properties (notes 2 and 4) .....	25,488	25,488
Deferred exploration and development expenditures .....	245,996	235,437
	<u>\$1,467,543</u>	<u>\$1,094,977</u>

### LIABILITIES

#### CURRENT LIABILITIES

	1970	1969
	\$ 22,632	\$ 9,466
Accounts payable and accrued liabilities .....	309,139	219,136
Payable to Panarctic Oils Limited (note 1) .....	334,147	
9% Loan payable to Upper Canada Mines Limited and accrued interest .....	665,918	228,602

### SHAREHOLDERS' EQUITY

#### CAPITAL STOCK

Authorized — 4,000,000 shares, par value \$1 each	3,715,004	3,715,004
Issued — 3,715,004 shares .....	1,600,211	1,600,211
Deduct discount thereon .....	2,114,793	2,114,793
Deficit .....	1,313,168	1,248,418
	<u>801,625</u>	<u>866,375</u>
	<u>\$1,467,543</u>	<u>\$1,094,977</u>

Approved by the Board:

"J. W. McBEAN", Director.

"F. G. CARROTTE", Director.

### AUDITORS' REPORT

To the Shareholders of  
Bankeno Mines Limited

We have examined the balance sheet of Bankeno Mines Limited as at December 31, 1970 and the statements of deferred exploration and development expenditures, deficit, administrative expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
February 2, 1971.

THORNE, GUNN, HELLIWELL & CHRISTENSON,  
Chartered Accountants.

# BANKENO MINES LIMITED

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## *Statement of Deferred Exploration and Development Expenditures*

Year ended December 31, 1970  
 (with comparative figures for 1969)

	1970	1969
Drilling participation .....	\$ 809	\$ 22,165
Engineering fees .....	9,750	4,800
Other .....		68
	<u>10,559</u>	<u>27,033</u>
Deduct proceeds from sale of equipment .....		2,750
	<u>10,559</u>	<u>24,283</u>
Expenditures for the year .....		235,437
	<u>235,437</u>	<u>211,154</u>
Balance deferred at beginning of year .....		\$ 245,996
	<u>\$ 245,996</u>	<u>\$ 235,437</u>

## *Statement of Deficit*

Year ended December 31, 1970  
 (with comparative figures for 1969)

	1970	1969
Deficit at beginning of year .....	\$1,248,418	\$1,212,937
Administrative expenses .....	64,210	34,940
Adjustment of marketable securities .....	540	541
Deficit at end of year .....	<u>\$1,313,168</u>	<u>\$1,248,418</u>

# BANKENO MINES LIMITED

## *Statement of Administrative Expenses*

Year ended December 31, 1970  
 (with comparative figures for 1969)

	1970	1969
Executive salary .....	\$ 19,753	\$ 19,749
Government fees, licenses and taxes .....	61	61
Interest and bank charges .....	21,171	94
Legal and audit .....	9,445	6,885
Listing fees .....	200	200
Postage, telephone and telegraph .....	471	805
Printing and stationery .....	189	372
Reports to shareholders .....	2,310	2,627
Share issue expense .....	1,329	2,459
Transfer agent's fees and expenses .....	10,805	8,708
Travelling .....	840	4,104
Sundry .....	202	248
	<u>66,776</u>	<u>46,312</u>
Less interest earned .....	2,566	11,372
Administrative expenses for the year transferred to deficit .....	<u>\$ 64,210</u>	<u>\$ 34,940</u>

## *Statement of Source and Application of Funds*

Year ended December 31, 1970  
 (with comparative figures for 1969)

SOURCE OF FUNDS	1970	1969
Issue of common shares .....		<u>\$ 245,000</u>
 <b>APPLICATION OF FUNDS</b>		
Exploration and development expenditures .....	\$ 10,559	24,283
Administrative expenses .....	64,210	34,940
Additional investment in Panarctic Oils Limited .....	452,879	226,445
Adjustment of marketable securities .....	540	541
	<u>528,188</u>	<u>286,209</u>
Decrease in working capital position .....	528,188	41,209
Working capital deficiency at beginning of year .....	137,199	95,990
Working capital deficiency at end of year .....	<u>\$ 665,387</u>	<u>\$ 137,199</u>

# BANKENO MINES LIMITED

## Notes to Financial Statements

December 31, 1970

### I. INVESTMENT IN PANARCTIC OILS LIMITED

	1970	1969
112,938 preferred shares, par value \$10 each (1969 — 67,763 shares) ..	\$1,129,380	\$ 677,630
28,235 common shares, no par value (1969 — 16,941 shares) .....	2,823	1,694
	<hr/>	<hr/>
1,132,203	679,324	
Capital stock issued to Upper Canada Mines Limited for guarantee of payments on initial investment 50,000 shares of the company at stated value .....	32,500	32,500
	<hr/>	<hr/>
	\$1,164,703	\$ 711,824

By agreements dated November 25, 1967, November 17, 1969 and May 15, 1970, the company has purchased the above shares in Panarctic Oils Limited, a company formed to explore the oil and gas potential of the Arctic Islands in the Northwest Territories, to be financed jointly by private enterprise and the Government of Canada.

The consideration of \$452,879 with respect to the 1970 purchase, less cash calls paid during the year, is payable December 31, 1971. The company has arranged to borrow the necessary funds from Upper Canada Mines Limited, at 9% interest per annum.

### 2. AGREEMENTS WITH COMINCO LTD.

#### Exploratory Permits — Arctic Islands

By agreements dated May 17, 1966, between Bankeno Mines Limited and Cominco Ltd., Cominco acquired a 50% undivided interest in Bankeno's interest in oil and gas exploratory permits located in the Arctic Islands. Permits totalling 5,719,131 acres of a total of 6,176,260 acres have been farmed out to Panarctic Oils Ltd. Panarctic has earned an 80% interest in the above oil and gas exploratory permits by the completion of specific drilling requirements and the expenditure of more than \$26 million on Arctic Island exploration. Panarctic is obliged to maintain all Bankeno's oil and gas exploratory permits retained. For the drilling of development production wells on its permits, Bankeno by the terms of the Cominco agreement may elect, on a well to well basis without penalty, to participate equally with Cominco or retain 25% of Bankeno's interest carried by Cominco.

#### Mining Properties

By agreement dated February 28, 1965, as amended, Cominco Ltd. was granted the right to explore and develop the company's 61 mining claims on Little Cornwallis Island. At last

report the properties under agreement have increased to 169 claims of which 21 claims were brought to lease for a period of 21 years commencing August 11, 1970.

To date, Cominco has expended \$551,483 on exploration. Additional expenditures are committed for a diamond drill program in 1971. The agreement provides for a new company to be incorporated to mine the property at the option of Cominco or Bankeno. The rights vary depending on which party gives notice of its intention to bring the property to production but essentially provide for Bankeno to retain at least a 25% carried interest in the property.

### 3. ARCTIC ISLAND HOLDINGS

Upper Canada Mines Limited has a 5% interest in the company's Arctic Island holdings and in any consideration received for these holdings.

### 4. MINING PROPERTIES

61 Claims on Little Cornwallis Island, acquired for 50,000 shares of the company's capital stock valued at \$15,000 and staking cost of \$10,487 .....	\$ 25,487
18 Leases in Mayo Mining Division, Yukon Territory, at nominal value .....	1
	<u><u>\$ 25,488</u></u>

### 5. INCOME TAXES

Under the provision of the Income Tax Act, exploration and development expenditures are deductible in arriving at taxable income and any expenditures not deducted in one year may be carried forward to be applied against future income. The company has approximately \$1,600,000 of expenditures so available.

### 6. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act, 1970) amounts to \$15,170 for 1970 (\$19,749 in 1969).



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# BANKENO MINES LIMITED

Suite 600 - 250 University Avenue  
Toronto 1, Ontario

## *Interim Report*

### **TO THE SHAREHOLDERS:**

The principal potential of your Company continues to be its oil and gas interests and mineral claims containing lead and zinc mineralization located in the Canadian Arctic Islands.

Your Company holds a 2.258% interest in Panarctic Oils Ltd., which is operating in the Arctic Islands with an exploration budget of \$50,000,000. The July 27th issue of Oilweek reports on the inaugural press meeting of Charles R. Hetherington, the new President of Panarctic Oils Ltd. that "... he is excited by the opportunity to find and develop what is potentially one of the world's largest oil and gas reserves area."

In addition to being a shareholder, Bankeno has interests in 5,558,712 land acres farmed out to Panarctic Oils Ltd. The representative nature of Bankeno acreage interest throughout the Arctic Island is a potentially attractive asset of your Company. The Bankeno interest farmout is the largest single block in a total land spread of 50,701,000 acres held by Panarctic.

Panarctic Oils Ltd., in addition to conducting seismic and geological work, continued to operate three oil rigs in 1970. A fourth rig for operations in the Eureka Sound area on Ellesmere Island is scheduled for 1971. Bankeno, equally with Cominco, has an interest in a farmout to Panarctic on Axel Heiberg and Ellesmere Islands bordering on Eureka Sound.

A number of oil companies have approached Panarctic with the object of obtaining sub-farmouts for the opportunity of earning an interest in parts of the large acreage controlled. On two of these proposals Panarctic has farmed out nine commitment wells which will permit Panarctic more flexibility in the selection of prime potential targets on the remaining acreage.

A sub-farmout to King Resources Company includes acreage on northwest Melville Island, Bathurst Island, Lougheed Island, and Prince of Wales Island for a total obligation of seven wells. Bankeno acreage interest is included in the farmout on northwest Melville Island on which one deep well and two shallow wells will be drilled.

On Bathurst Island, King Resources is committed to 24,000 feet of drilling. Included in this sub-farmout is the Caledonia River structure consisting of 160,415 acres in which your Company has an interest. Substantial Bankeno acreage interest with indicated major potential oil or gas structures adjoin the Bathurst sub-farmout on the northwest and on the east boundary.

Oil rigs for the King Resources drilling program are expected to land on Bathurst Island on or about August 15, 1970. Start of drilling is planned for November 1, 1970.

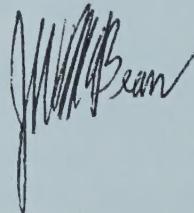
A Triad-BP sub-farmout of acreage on Emerald, Prince Patrick and Vanier Islands requires the completion of 400 miles of seismic work and the drilling of two 12,000-foot wells. One well on Prince Patrick Island is to start prior to May 11, 1971 and the other on Vanier Island prior to December 11, 1971.

Bankeno acreage interest is included in the above sub-farmout. Adjacent Bankeno acreage interest outside of the sub-farmout is located on Prince Patrick Island and on Massey Island located directly south of Vanier Island. Substantial Bankeno acreage interest is located directly east of Vanier on Bathurst Island.

Other oil interests are active in the Arctic Islands. Elf Oil Limited, with extensive acreage in the Arctic Islands, is currently drilling a deep test on Mackenzie King Island. B.P. Oil and Gas Limited has announced a commitment to commence drilling a 10,000-foot well on Graham Island prior to December 30, 1971. Many other companies are grouping Arctic Island properties for drilling commitments in 1971 and later years. At this date, at least eight drilling rigs are committed for drilling on the Arctic Islands in the 1970-71 period. Due to the widespread nature of its holdings, Panarctic stands to benefit from any exploration activity in the Arctic Islands.

Activity continues on Bankeno's lead-zinc properties on Little Cornwallis and Cornwallis Islands. Twenty-one claims of the original discovery group named Polaris have been surveyed and an application for lease has been filed. The balance of 148 claims in three groups are maintained in good standing. Cominco conducted detailed field examinations in 1970 preparatory to the formulation of a diamond drilling program for 1971. Part of the drilling materials were sea-shipped to Resolute Bay in August, 1970. The balance of the equipment will be air-shipped prior to the field season in 1971.

Respectfully submitted on behalf of the Board,



J. W. McBEAN,  
President.

August 27, 1970,  
Toronto, Ontario.

# BANKENO MINES LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six months ended June 30, 1970

(with comparative figures for the six months ended June 30, 1969)  
(unaudited)

SOURCE OF FUNDS	1970	1969
Interest earned .....	\$ 1,711	\$ 5,745
Share final sale Winter Harbour Well equipment .....		2,750
Sale of 275,000 treasury shares .....	1,711	245,000
		253,495
APPLICATION OF FUNDS		
Exploration and development expenditures:		
Engineering fees .....	7,350	2,400
Government licences .....		75
Drilling participation (net) .....	999	8,349
		2,475
Administrative expenditures:		
Audit fee .....	300	25
Executive salaries .....	10,103	9,660
Government fees and taxes .....	61	61
Interest and bank charges .....	7,524	38
Legal fees .....	45	50
Listing fees .....	200	200
Postage, telephone and telegraph .....	239	293
Printing and stationery .....	94	314
Reports to shareholders .....	1,840	
Share issue expense .....	653	1,204
Transfer Agent's fees and expenses .....	5,776	1,864
Travel expense .....	355	2,577
Sundry .....	50	27,240
		3
	35,589	16,289
		18,764
Increase (decrease) in working capital .....	(33,878)	234,731
Working capital (deficiency) at beginning of period .....	(137,199)	(95,990)
Working capital (deficiency) at end of period .....	<u><u>\$ (171,077)</u></u>	<u><u>\$ 138,741</u></u>

### NOTE:

The above statement of source and application of funds is issued pursuant to the requirements of the Corporations Act of Ontario.

Toronto, Canada,  
August 17, 1970.

